Ford Motor Co. Does U-turn on Bailouts

By Eugene Kiely

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A Ford TV ad slams competitors for accepting bailout funds, even though the company's CEO lobbied for the bill. The company — the only one of the Big Three not to receive a bailout — feared a collapse of GM and Chrysler at the time would have hurt suppliers and, in turn, Ford itself. Ford Chief Executive Officer Alan R. Mulally also asked Congress for a “credit line” of up to $9 billion in case the economy worsened.

In other words, Ford was for government bailouts before it was against them.

Although Ford did not need money from the $80 billion bailout program, Ford did receive $5.9 billion in government loans in 2009 to retool its manufacturing plants to produce more fuel-efficient cars, and the company lobbied for and benefited from the cash-for-clunkers program — contrary to the ad’s testimonial that Ford is “standing on their own.”

‘Real Ford Owner’ Opposes Bailouts, CEO Doesn’t

The ad — which is called “Press Conference: Chris” — features a person identified as “a real Ford owner” who answers questions from the “media.” Karen Hampton, a Ford spokeswoman, told us it began airing nationally on Sept. 1 as part of a larger campaign featuring Ford customers talking without a script about their cars.

In this ad, “Chris” is asked why he bought a Ford. He does not wax poetic about advanced engineering, superior handling or sleek interior — staples of car commercials. He talks about government bailouts.

Chris: I wasn’t going to buy another car that was bailed out by our government. I was going to buy from a manufacturer that’s standing on their own: win, lose, or draw. That’s what America is about is taking the chance to succeed and understanding when you fail that you gotta pick yourself up and go back to work. Ford is that company for me.

It’s true that Ford was not “bailed out by our government,” as Chris says. However, the company’s president and CEO testified that his company would suffer if Congress did not pass legislation to provide financial support to the ailing auto industry. He urged Congress to pass the bill.
Mulally, Dec. 5, 2008: In particular, the collapse of one or both of our domestic competitors would threaten Ford because we have 80 percent overlap in supplier networks and nearly 25 percent of Ford’s top dealers also own GM and Chrysler franchises.

He also asked Congress to authorize a credit line of up to $9 billion for Ford in case the economy got worse and the company needed it.

Mulally, Dec. 5, 2008: In addition to our plan, we are also here today to request support for the industry. In the near-term, Ford does not require access to a government bridge loan. However, we request a credit line of $9 billion as a critical backstop or safeguard against worsening conditions as we drive transformational change in our company.

The Automotive Industry Financing Program — which was created under the Troubled Asset Relief Program — provided $79.69 billion to GM, GMAC and Chrysler. So far, they have paid back a little more than half of the money, or about $40 billion, according to Treasury’s daily report for Sept. 16 on TARP funds.

Ford did not receive any money under AIFP, but that doesn’t mean it didn’t get any federal assistance.

In a Jan. 30, 2009, report on the bailout program, the Congressional Research Service noted that Ford “is counting on $5 billion from the DOE loan program to support a $14 billion plan to reorient its lineup toward more fuel-efficient vehicles.” On June 23, 2009, the Department of Energy announced it would provide $5.9 billion to Ford “to transform factories across Illinois, Kentucky, Michigan, Missouri, and Ohio to produce 13 more fuel efficient models.”

In a business plan submitted to Congress in December 2008, Ford touted its $14 billion plan for fuel-efficient cars as a key part of its effort to turn the company around — noting that a big piece of the funding was coming from the DOE. The company’s business plan also urged Congress to pass legislation to provide “incentives for consumers to trade in older vehicles and move to more fuel-efficient vehicles.” About six months later — on June 24, 2009 — President Obama signed the Consumer Assistance to Recycle and Save Act that became known as the cash-for-clunkers program. A Department of Transportation report (table 10) said more than 90,000 Fords were purchased under the cash-for-clunkers program — second only to Toyota — as of December 2009.

Hampton sought to draw a difference between the bailout program and other government programs. “The government programs we participate in are to promote efforts that are beneficial to the entire nation,” she said. “The work we do on fuel efficiency benefits everyone. The bailout of our competitors was good for the industry and the nation’s economy, but we are proud that we didn’t need to use precious taxpayer money.”

We take no position on the merits of any of the federal programs geared to help U.S. automakers. This much is clear: Ford once supported a bailout program that it now denigrates.

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